

EXHIBIT Z

CERTIFIED TRANSLATION

Mayors Denounce Discrepancies in Retirement System Invoices

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Mayors Denounce Discrepancies in Retirement System Invoices

They point out that the Retirement System charges them for deceased retirees and employees that never worked for the municipal governments

El Nuevo Día • July 27, 2018 • 1 • JOANISABEL GONZÁLEZ joanisabel.gonzalez@elnuevodia.com Twitter: @jgonzalezpr

The “PayGo” plan, devised by the government to ensure the payment of pensions, is in jeopardy because the municipalities and public corporations do not have money, but also because, seemingly, the Retirement Systems Administration (RSA) overbills those entities.

[image]

According to the mayors of San Sebastián and San Germán, the invoices that the municipal governments receive from the RSA for collections for the “PayGo” system are often plagued with errors, because they include charges pensions either of deceased individuals or of employees who did not work with the municipal government.

According to El Nuevo Día’s sources, the situation is repeated with the public corporations. These dependencies also do not fully comply with the system created last year upon the collapse of the RSA, according to a report by the Fiscal Agency and Financial Advisory Authority (AAFAF, by its Spanish initials).

“On the invoices from last year, we found overbilling errors for nearly \$250,000,” said the mayor of San Sebastián, Javier Jiménez, who indicated that the “PayGo” system was poorly conceived from the very beginning.

“The remedy has been worse than the illness,” added the certified public accountant.

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“The responsibility of paying pensions has been passed on to the municipalities, even though it is not their responsibility,” said, on his part, Isidro Negrón, mayor of San Germán, in reference to Law 106-2017.

This week, this newspaper revealed that one year after Law 106 was passed, municipalities and public corporations had not reimbursed the Department of the Treasury for the amounts associated with “PayGo”.

The statements by Jiménez and Negrón regarding the receiving of erroneous invoices, and from officials from Toa Baja and Carolina, point to the deficiencies in the billing process of the RSA not being isolated. Before, officials from San Juan and Caguas, the mayor of Guaynabo, Ángel Pérez, and the president of the Mayors Association, Rolando Ortiz Velázquez, made similar statements.

If, in effect, the RSA is issuing erroneous invoices for “PayGo,” it is possible that the Treasury is paying pensions that are not due or is expecting reimbursements that it will never receive.

“We have always complied with the law, but in Carolina the issue is simple, the Treasury owes me \$3 million.”

MANUEL MANGUAL, ADMINISTRATION MANAGER OF CAROLINA

“The government received \$2.5 billion from the federal government for Mi Salud, but it could not waive the payments that we have to make for the municipalities.”

ISIDRO NEGRÓN, MAYOR OF SAN GERMÁN

“When ‘PayGo’ was created, it was established that the special contribution for Retirement would be cancelled, but that hasn’t happened.”

JAVIER JIMÉNEZ, MAYOR OF SAN SEBASTIÁN

THE PENSION REFORM

Law 106-2017 is the key part of the pension reform pursued by the Fiscal Oversight Board (FOB). That reform contemplates an average cut of 10% to current pensions (which the government rejects), the creation of a defined contribution plan for current workers, and the eventual transfer of the system to private managers. In order to ensure compliance, the law establishes that whoever fails to comply risks fines and up to a prison sentence.

On April 23, the AAFAF, on behalf of the RSA, opened a proposal request process for a firm to “prune” the data of the retirement plans that the RSA and the Teachers Retirement System (TRS) manage. The firm was supposed to have been selected by this past May 28, but it is unknown if that is the case.

El Nuevo Día requested an interview with the RSA, but as of the publication deadline, no response had been received.

TEMPORARY AID

In an attempt to assist the municipalities, during the past extraordinary session, governor Ricardo Rosselló Nevares presented Senate Bill 1032 for the municipalities to be able to arrange payment

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plans with government agencies and public corporations. According to sources of this newspaper, they could include what is owed in "PayGo".

The bill was passed by both chambers and is awaiting the governor's signature.

Sources of this newspaper assure that the measure could be receive adjustments to deal with the issue of the erroneous invoices from the RSA.

However, as it was passed, it only provides for the municipal governments to see alleviation in their payments until 2021.

UNSUSTAINABLE BURDEN

According to Jiménez, with the "PayGo" system, some municipalities came out well, but the majority ended up on the losing side.

Under the "PayGo" system, explained Negrón, the municipality or agency pays the entire pension of the retired employee. This, even though the municipality complied in sending the corresponding employer contributions for their employees.

In the case of San Sebastián, for instance, the payment associated with retirement for fiscal year 2012 rounded out to about \$500,000. The "PayGo" invoice that Jiménez just received rounds out to about \$1.5 million this year.

"It's as if, suddenly, 145 employees were hired in the municipality and they are paid a salary, but they don't work," said Negrón as an example.

In the case of Carolina, which owes the Treasury nearly \$6 million for "PayGo," the Administration Manager, Manuel Mangual, stated that they do not have major discrepancies with the RSA.

However, the main reason for Carolina not paying "PayGo" is the debt that the central government -which finds itself in the Title III process- has with the municipal government and which nears \$3 million. The debt is related to property taxes not sent to the municipality and money that the municipal government kept in the Government Development Bank.

"Toa Baja's situation is practically similar. On the invoices that they submitted, we had situations of employees that never worked for the municipality," said Marcos Rivera, Administrator of Toa Baja.

The municipality, whose financial crisis forced the workday to be reduced, must pay \$3.7 million for "PayGo".

According to Rivera, in Toa Baja's case, "PayGo" has come to drown the finances of a municipality that has enacted multiple measures to stay afloat. Now, the savings that have been achieved will turn to dust with "PayGo."

"In order to comply with 'PayGo,' it would be necessary to affect services provided to the citizens, garbage collection, and the assistance provided to the elderly," stated Rivera.

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